



BEFORE THE ARIZONA CORPORAT

WILLIAM A. MUNDELL

Chairman

JIM IRVIN

Commissioner

MARC SPITZER

Commissioner

2002 NOV 20 P 1:00

AZ CORP COMMISSION  
DOCUMENT CONTROL

IN THE MATTER OF THE GENERIC  
PROCEEDINGS CONCERNING  
ELECTRIC RESTRUCTURING ISSUES.

Docket No. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S REQUEST FOR  
A VARIANCE OF CERTAIN  
REQUIREMENTS OF A.A.C. R14-22-1606.

Docket No. E-01345A-01-0822

IN THE MATTER OF THE GENERIC  
PROCEEDING CONCERNING THE  
ARIZONA INDEPENDENT  
SCHEDULING ADMINISTRATOR.

Docket No. E-00000A-01-0630

IN THE MATTER OF TUCSON  
ELECTRIC POWER COMPANY'S  
APPLICATION FOR A VARIANCE OF  
CERTAIN ELECTRIC COMPETITION  
RULES COMPLIANCE DATES.

Docket No. E-01933A-02-0069

SUMMARY OF THE TESTIMONY OF

E. DOUGLAS MITCHELL

ON BEHALF OF  
SEMPRA ENERGY RESOURCES

Arizona Corporation Commission

DOCKETED

NOV 20 2002

DOCKETED BY

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3 According to Staff's October 25, 2002 Report on Track B: Competitive Solicitation, and  
4 the Commission's Order No. 65154, the amount of capacity acquired through competitive  
5 solicitation should be a minimum of each IOU's forecasted unmet need for at least the next three  
6 years. Sound resource planning suggests that the maximum level of capacity acquired should be  
7 limited only by economic considerations. In other words, the utilities should expand their  
8 proposed solicitations to include the competitive procurement of energy when it is available on  
9 the open market at a price lower than the utility's cost to generate its own power. There are  
10 many indicators that suggest now is a particularly good time for a competitive solicitation, from  
11 the perspective of consumers, and the solicitation should be designed and implemented in such a  
12 way as to maximize the consumer benefits.

13 Staff's proposal for bid evaluation, however, does not go far enough in specifying what is  
14 needed to produce optimum results. The one and only way to determine the value of an offer is  
15 to evaluate it within the context of the fully integrated generation operating system. This  
16 includes the dual considerations of: (1) providing reliable power, and (2) achieving the lowest  
17 cost possible. Evaluating these dual considerations also requires a solicitation for more than just  
18 the three types of products specified by Arizona Public Service. It also includes an analysis of  
19 price risk and volatility risk. Modifying the evaluation process to produce optimum results  
20 would require a longer time (approximately six weeks total) for implementation of the  
21 solicitation than the proposed schedule allows.

22  
23 Over-reliance on economy energy purchases to meet energy demand seems a particularly  
24 bad idea, especially when so much new generation will be available to sell into Arizona markets  
25 in the next few years.  
26  
27  
28

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Respectfully submitted this 20<sup>th</sup> day of November, 2002.

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Copy of the Summary of the Testimony  
of E. Douglas Mitchell was filed  
this 20<sup>th</sup> day of November, 2002  
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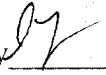
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